

NGWG+ Meeting California Energy Commission 2006 Activities and Issues

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Major Activity Areas

- Integrated Energy Policy Report
- Energy Action Plan II
- Long Term Natural Gas Market Assessment and Modeling
- Natural Gas Market Evaluation
- Potential Policy Evaluation using Scenarios
- Technical Research
- Data Gathering and Reporting
- Outreach and Coordination



Major Issues

- Evaluation of Potential Impacts of LNG on NG Markets
- Evaluation of Pacific Basin NG/LNG Market Issues
- Evaluation of Western US NG Adequacy
- Potential Causes of High NG Prices
- Evaluation of Long Term Infrastructure Needs
- Evaluation of NG Quality
- NG R&D

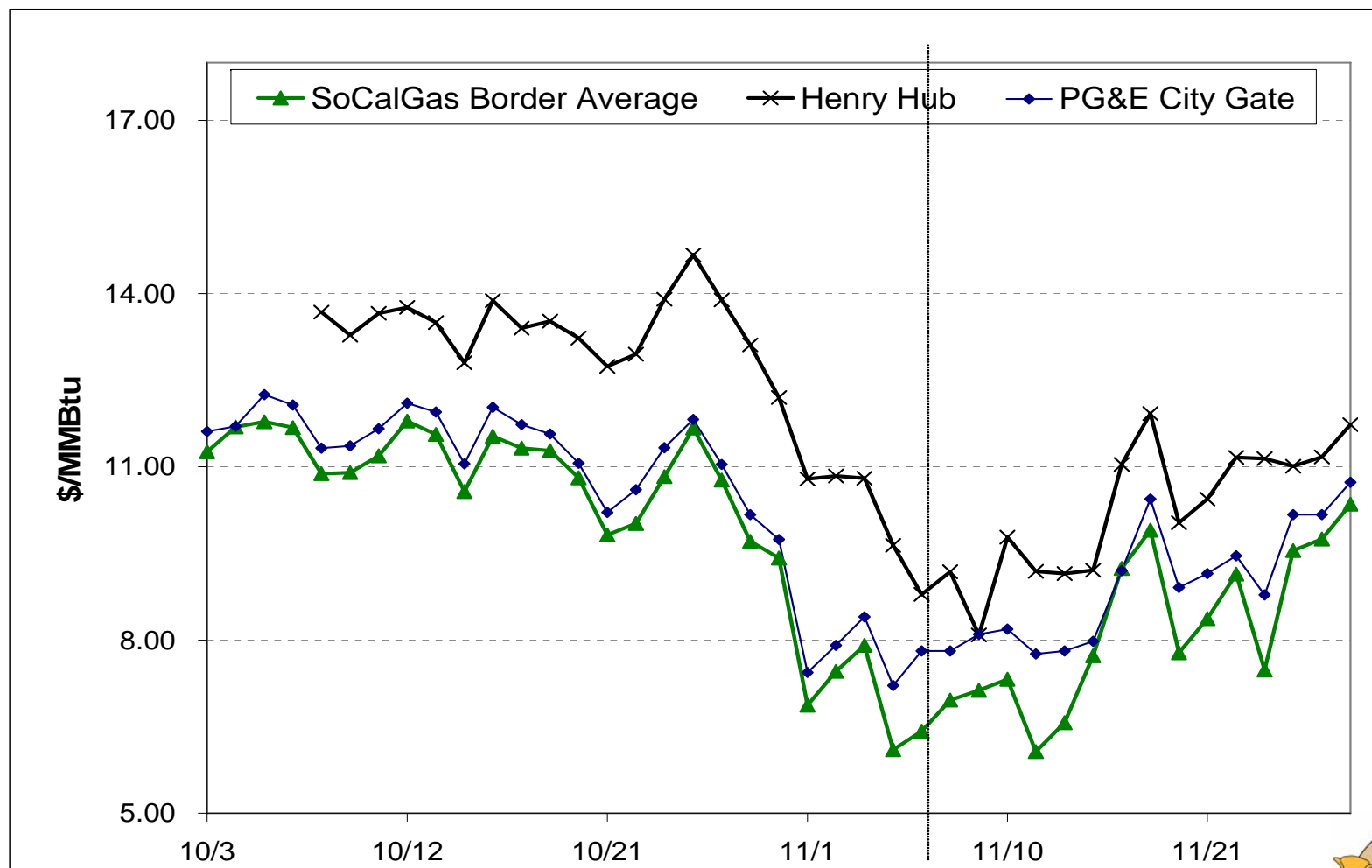


Natural Gas Market Assessment

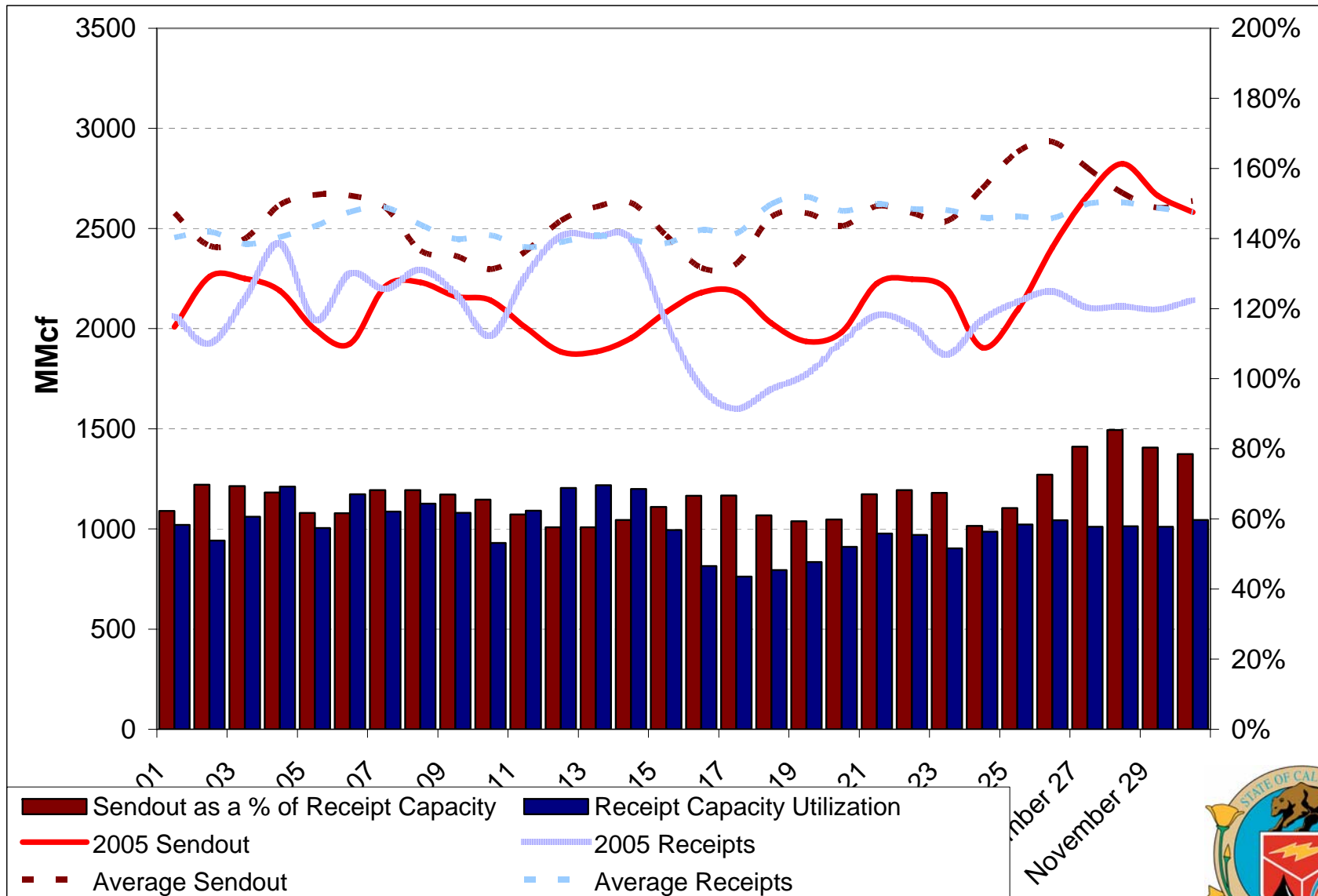
- Comparison of HH and California prices
- Major Utility Operations and Trends
- California and National Storage Trends
- California Drilling Permits and Production
- Utility Maintenance Schedules
- Weather Outlook for December 2005
- NYMEX HH and California Futures
- Regulatory Trends and Issues



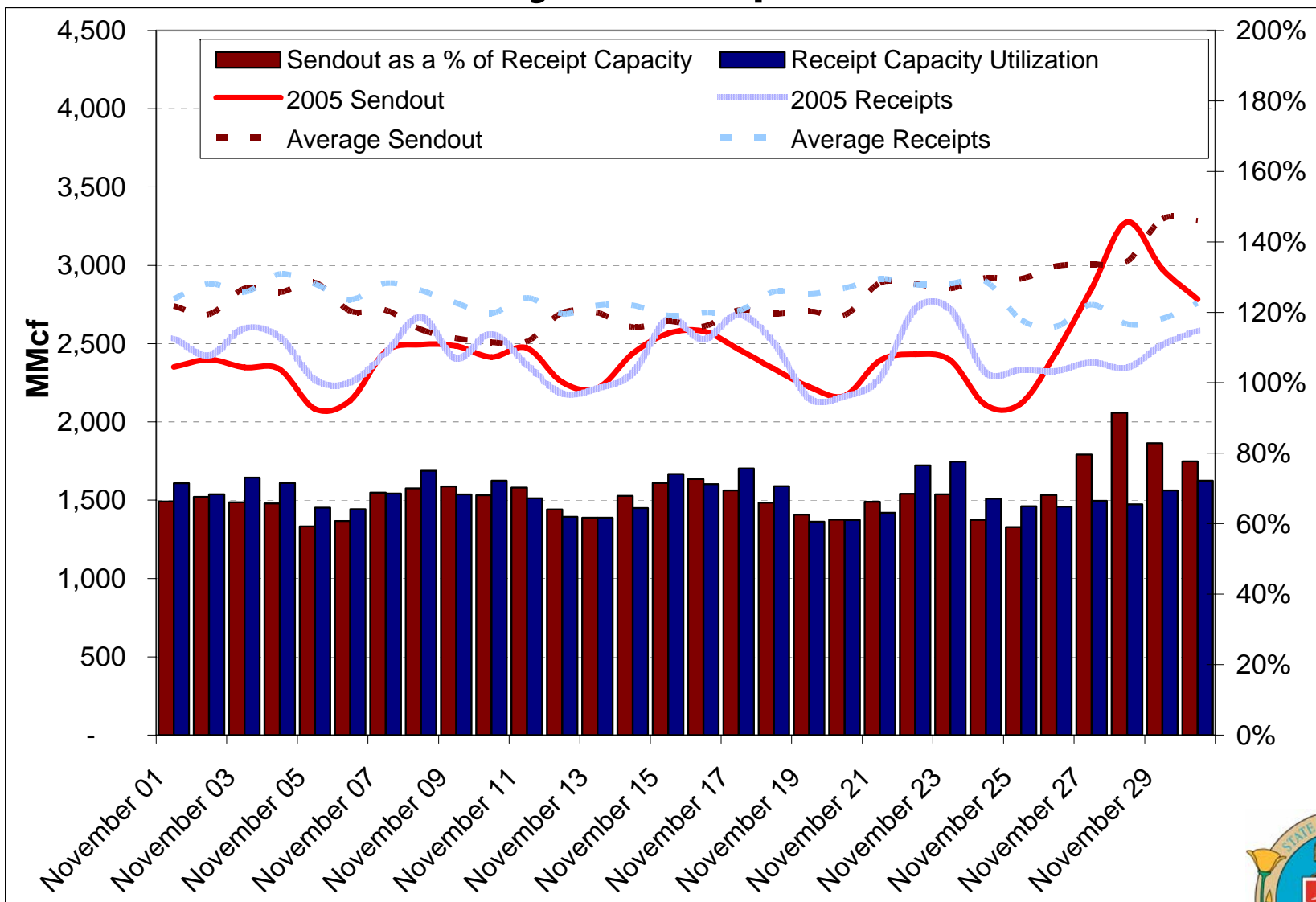
Natural Gas Spot Prices (2005\$/Mcf)



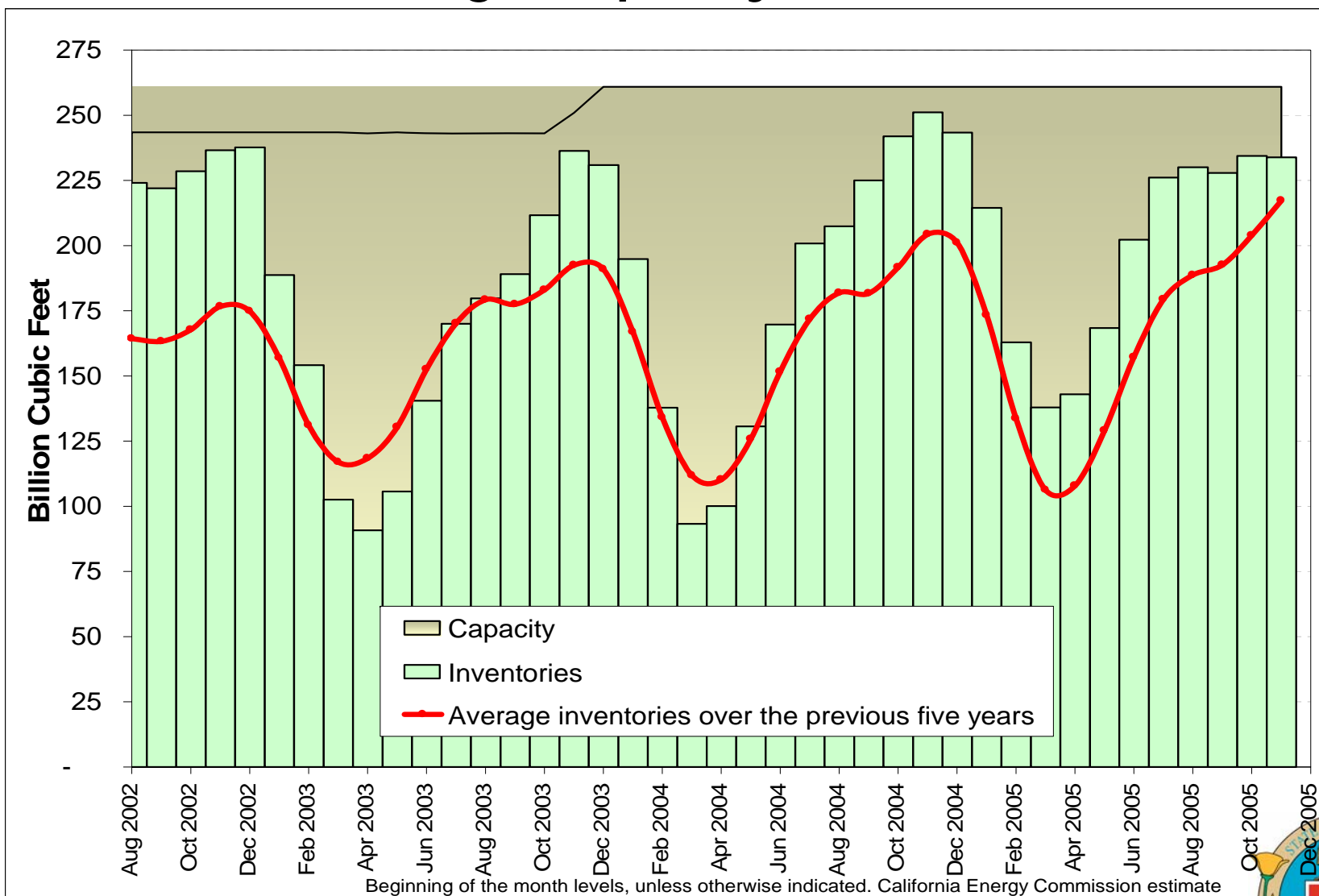
PG&E System Operations



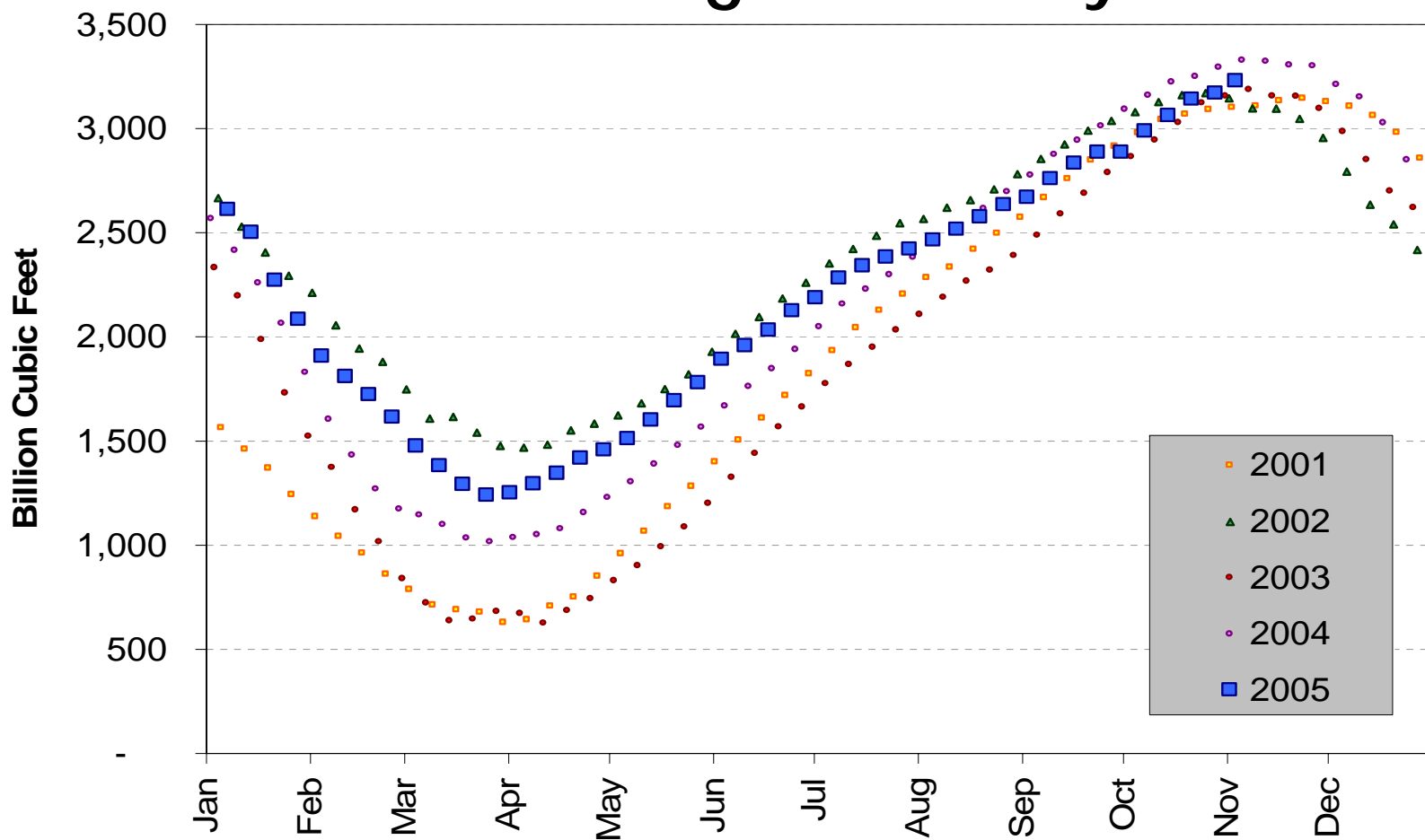
SCG System Operations



CA Storage Capacity and Utilization



U.S. Storage Inventory

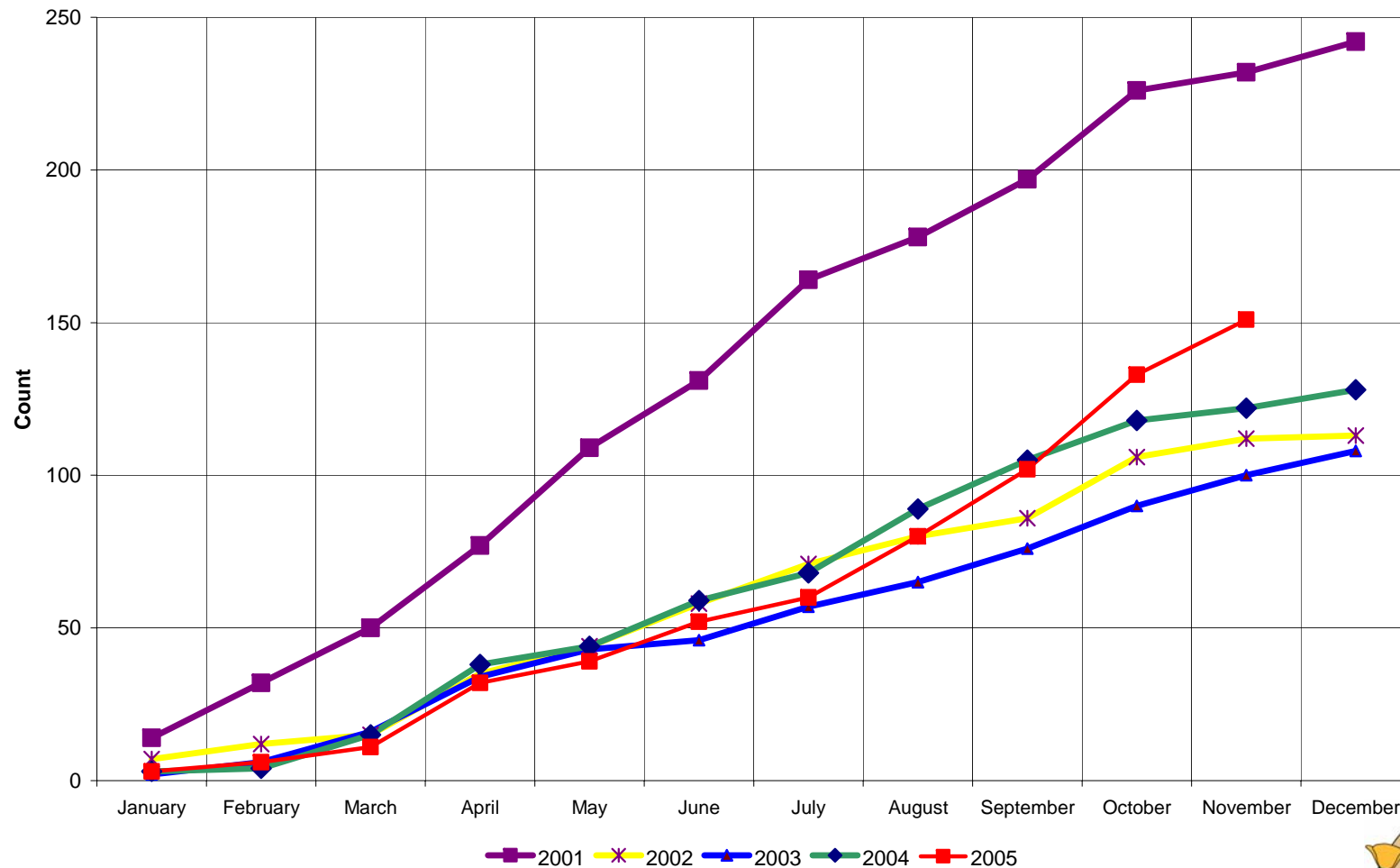


Current U.S. Natural Gas Storage Capacity: 3,294 Billion Cubic Feet; Sources: EIA



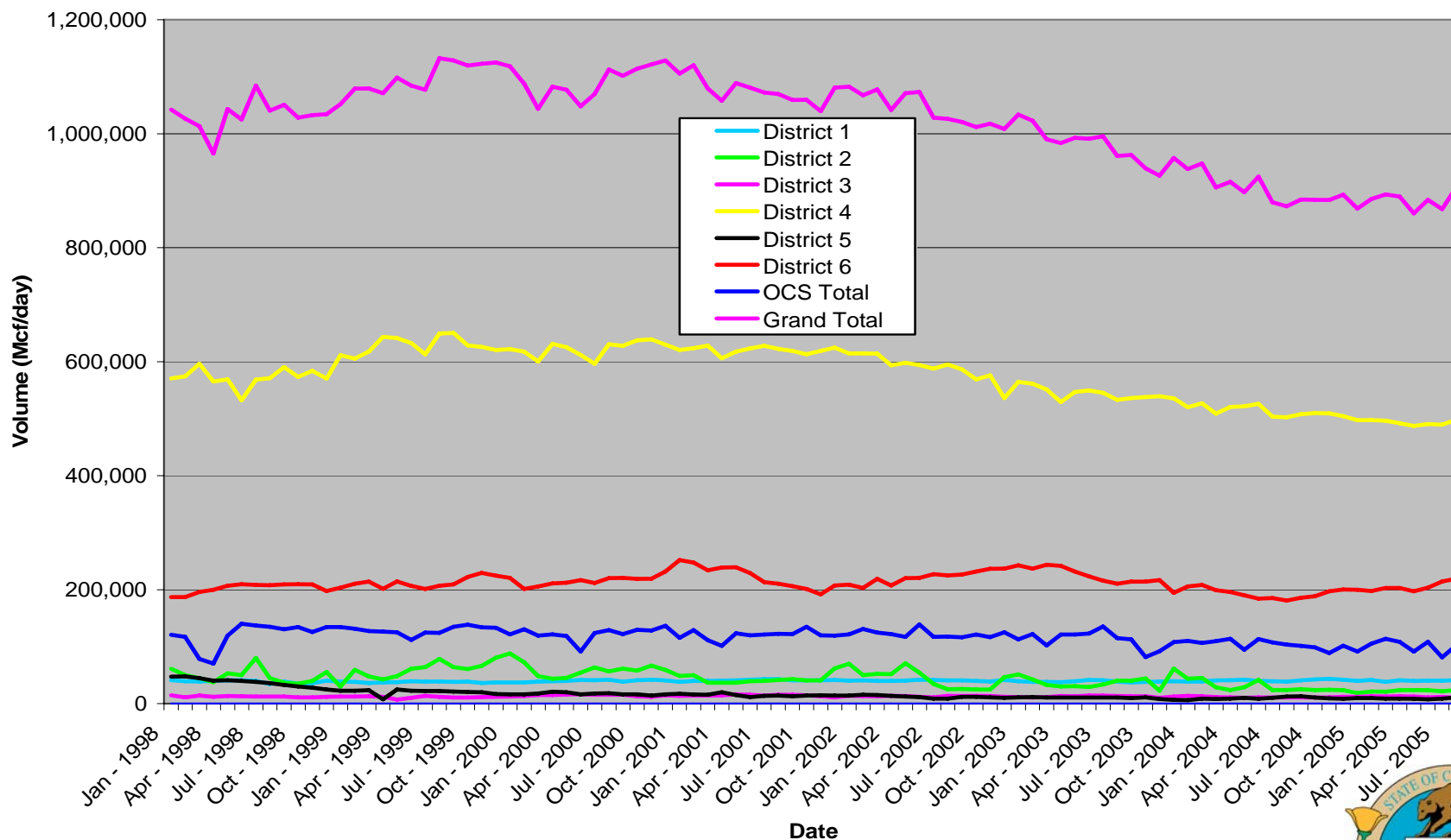
CA Drilling Permits

Drilling Permits Issued for the Sacramento Valley



CA Regional Production

California Natural Gas Production



Pipeline Operations – PG&E

- Redwood Path: Minor inspection and maintenance scheduled on compressors. Overall operational capacity anticipated to drop to 96 percent on one day (December 20th). Other days should be full to near full capacity
- Baja Path: No maintenance scheduled for December

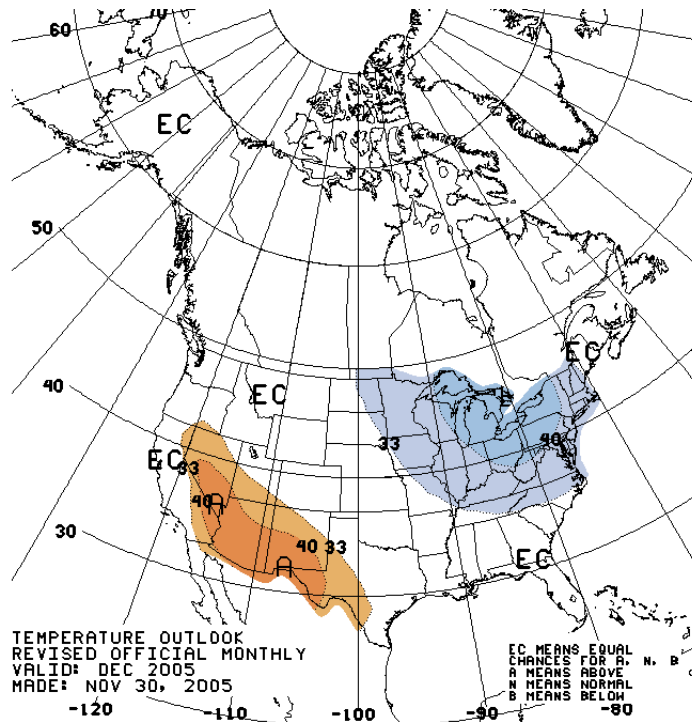


Pipeline Operations – SCG

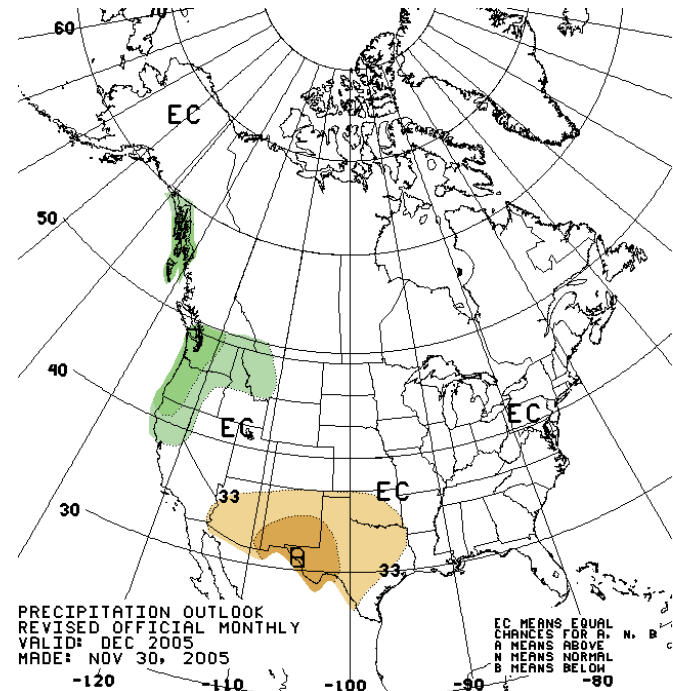
- Honor Ranch Storage: Small reduction in injection capacity of up to 50 mmcf/d in December due to Unit overhaul.
- North Needles Interconnect capacity: Small reduction in capacity up to 50 mmcf/d during December due to scheduled overhaul of power turbine
- Anticipate about 300 mmcf/d injection capacity at Aliso Canyon storage facility between January and March 2006 due to scheduled maintenance tasks on engines and compressors



December Weather: NOAA Outlook



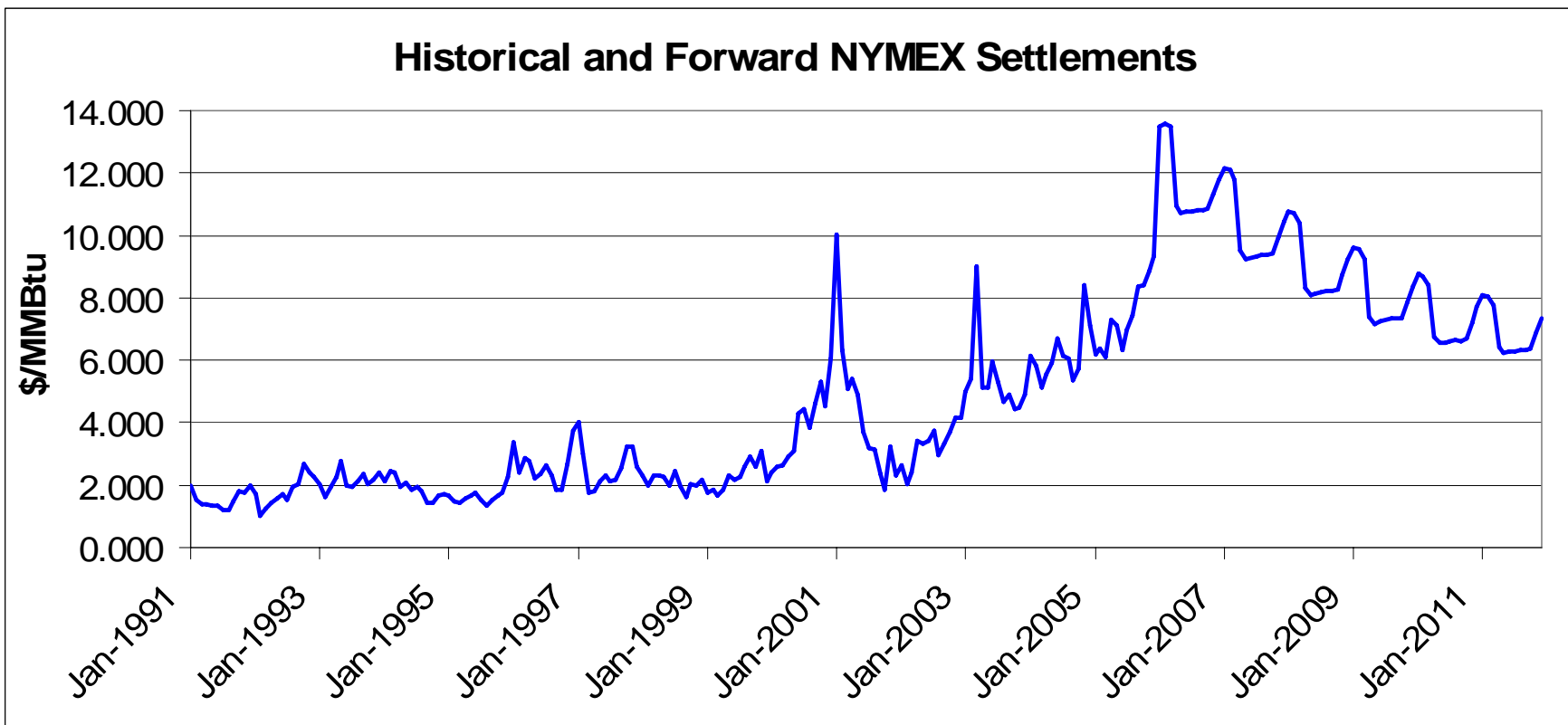
- National forecast suggests above normal temperatures in the Southwest corner and below normal temperatures in the northeast



- National forecast suggests above normal precipitation in the Northwest corner and below normal precipitation in the South Central regions



NYMEX Henry Hub Futures Prices



December 7, 2005 Settlement Data
from www.nymex.com

For more information, contact
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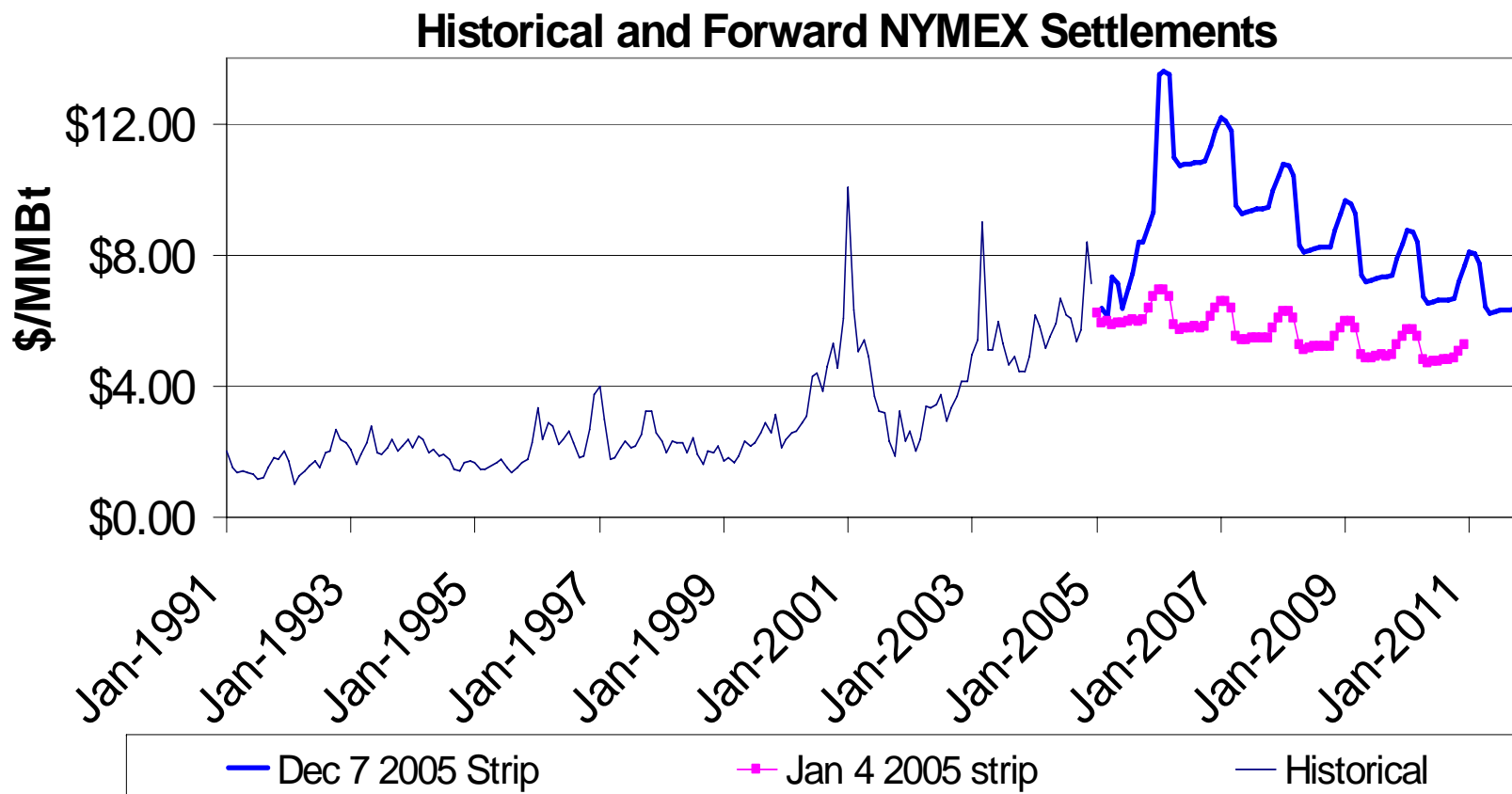
Natural Gas Strip Price Average (For Gas Years Beginning January 1, 2006)

January 2006-December 2006	1 Year	\$ 11.619
January 2006-December 2007	2 Year	\$ 10.895
January 2006-December 2008	3 Year	\$ 10.244
January 2006-December 2009	4 Year	\$ 9.679
January 2006-December 2010	5 Year	\$ 9.196
January 2006-December 2011	6 Year	\$ 8.807



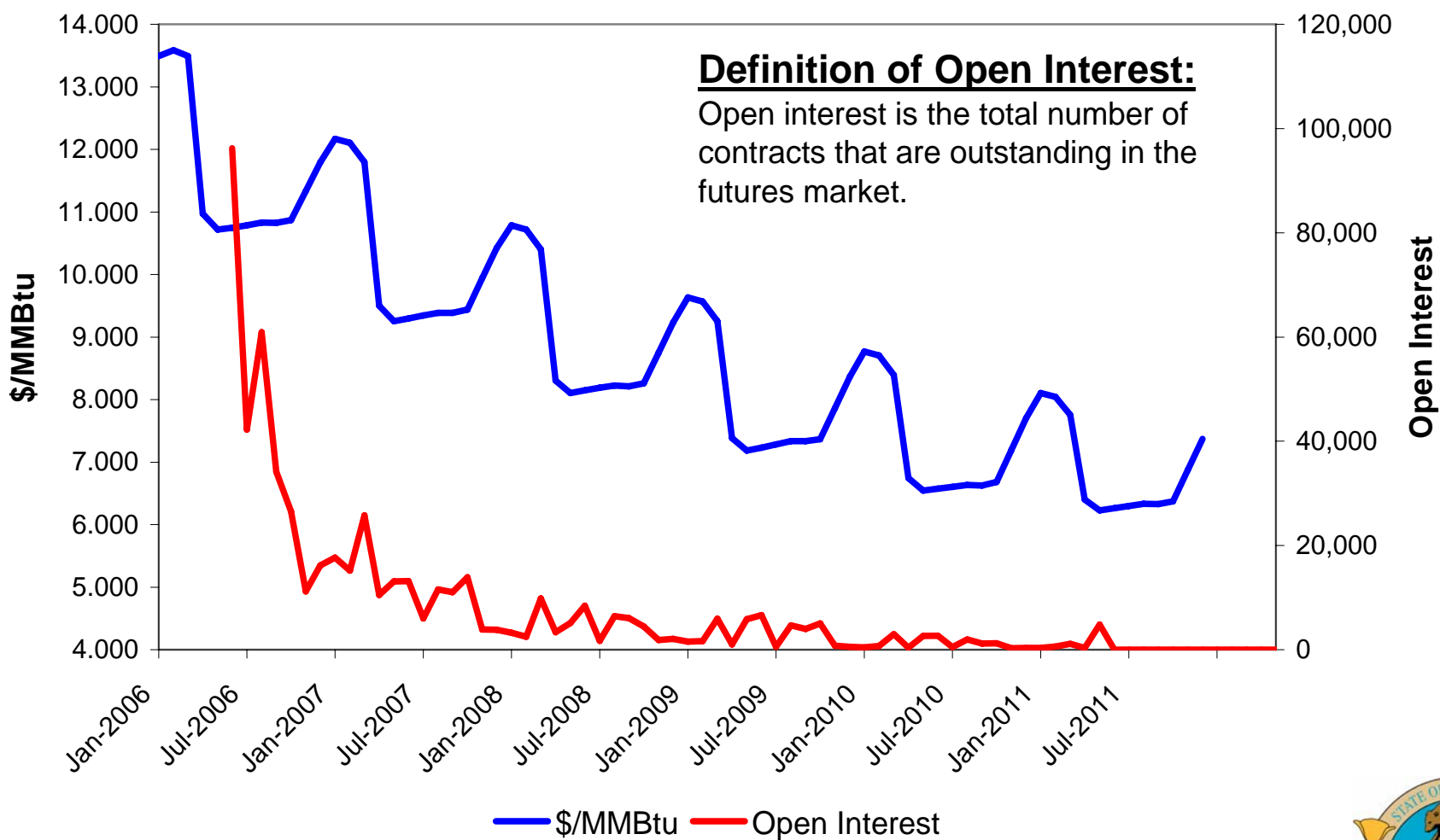
NYMEX Futures Comparison

Jan 4 2005 and Dec 7 2005 strips

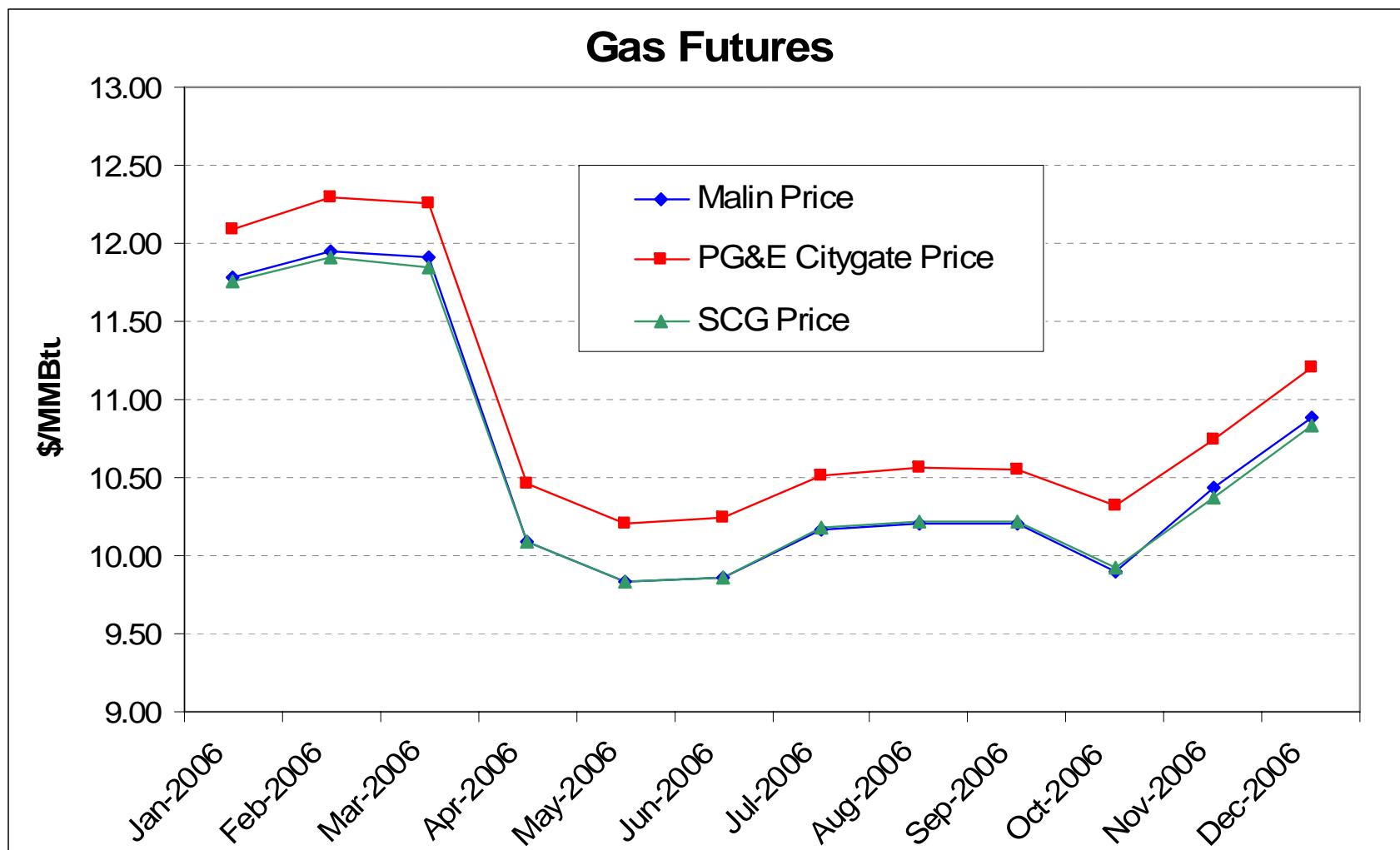


Forward NYMEX and Open Interest Settlements

(December 7, 2005 Futures)



Gas Futures Price Forecast for California December 7, 2005 Futures



California Public Utilities Commission Cases

I.0211040 Investigation on Natural Gas Prices from December 2000 to May 2001	Investigates gas market activities of California utilities and their impact on gas prices at the California border from March 2000 through May 2001.	On December 16, 2004, CPUC rejects ALJ's Proposed Decision (PD). (ALJ PD had found that SoCalGas took actions that increased gas prices in 2000-2001 in order to profit.) Edison testimony on Phase 1B filed November 8, 2005. PHC set for 12/22/05
I.0404024 Investigation into proposal of Sound Energy Solutions to construct and operate LNG terminal at the Port of Long Beach	Orders Sound Energy Solutions (SES) to file an application for a certificate of public convenience and necessity if it intends to pursue construction of the project, and promotes public safety and California's environmental welfare, consistent with state and federal law.	Proceeding closed 11/18/05
A.04-01-034 SoCalGas "Native Gas" Production and Revenue Sharing	SoCalGas requests authority to produce natural gas in vicinity of storage fields, and share revenues from sales with customers	Revised settlement agreement filed by SoCalGas and producer parties on 9/7/05 to resolve inconsistencies with settlement between SoCal/ORa/TURN/SCGC. On 9/22/05 ORa et al file response. ORa et al submits further testimony on 11/10/05, ALJ sets PHC for 12/10/05.



California Public Utilities Commission Cases

R.0401025 Policies and Rules to Ensure Reliable, Long-term Supplies of Natural Gas to California	Considers and rules on California natural gas utilities' proposals to ensuring reliable, long-term supplies of natural gas to California, including interstate pipelines, LNG, storage, and in-state production.	Interstate capacity portfolio negotiations completed for now. Phase 2 hearings held in August, briefs and reply briefs filed. Testimony on gas quality filed 8/12/05. Requests for rebuttal testimony made. Energy Division report on electric utilities' gas requirements issued 10/6/05, comments filed 11/4/05. Some IOBA issues still being discussed by parties. Open access tariffs finally effective.
A.04-08-018 SoCalGas to establish regulatory authority over the access for natural gas provided by California gas producers	Establish the terms and conditions under which natural gas produced by California gas producers will be granted access to the SoCalGas operating system	ALJ issues Ruling on 11/2/05 setting evidentiary hearing for March 6, 2006.
A.04-12-004 SoCalGas/SDG&E to establish firm tradeable rights, system integration and off-system deliveries	Proposes a system of firm, tradeable receipt point capacity rights; integration of SoCalGas and SDG&E transmission rates; and authority to make deliveries of gas off the SoCalGas/SDG&E system	Hearings on system integration held in September. Briefs filed 10/21/05, reply briefs filed 11/ 4/05. ALJ to issue proposed decision, probably early 2006.



California Public Utilities Commission Cases

A.05-03-001 PG&E for adoption of policy and procedure for acquisition of incremental core gas storage	Proposes adding core storage to meet new reliability standard, and procedure under which PG&E would obtain new storage capacity, including for independent storage providers.	Testimony filed August and September 2005. ALJ Ruling on 10/3/05 sets evidentiary hearing for 1/17/06
A.05-07-018: Lodi Gas Storage files for expansion of storage facility	Requests CPCN for storage facility expansion	Application filed 7/22/05, PG&E, Wild Goose, Duke file protest August 2005. Lodi and PG&E file settlement, resolving all issues between them.
A.05-10-012: SoCalGas cushion gas proposal	SoCalGas proposes reclassifying 4 Bcf of cushion gas to working gas, selling gas to CARE customers at original cost	CPUC approves on Nov 18, 2005
FERC RP05-422 El Paso General Rate Case	El Paso proposes new services and cost of service.	CPUC and utilities active intervenors. Technical conferences held on new services. FERC Order on new services expected in early 2006. Cost of service issues to be addressed in 2006



Questions?

